

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED.

L/1328/Add.11

13 February 1961

Limited Distribution

Original: English

SUBSIDIES

Notifications of Contracting Parties

Addendum

FEDERAL REPUBLIC OF GERMANY

Notification of 31 January 1961

By letter of 2 February 1961 the Government of the Federal Republic of Germany has transmitted to the secretariat a notification on subsidies in the Federal Republic.

Since 1953, the Federal Government has currently notified, in accordance with Article XVI:1, the promotion measures applied by it. The last notification was made on 28 January 1960 and circulated to the contracting parties in document L/1131/Add.1 (pp. 18-30). Since this notification the following changes have occurred.

As the contracting parties have already been informed, the Rubber Equalization Fund has been dissolved with effect from 30 April 1960. No subsidies were granted for flax and hemp in the fiscal year 1960 and for skimmed milk powder in the fiscal years 1959 and 1960. It will depend on further investigations whether they can be cancelled also in future. In the summary below no mention has been made of spirits which were contained in the Federal Government's notification on State trading in document L/1014/Add.15 of 18 February 1960, since, according to the Federal Government's opinion, no subsidy is granted for this product.

The measures notified below are based on figures for 31 December 1960:

- (1) Forage plant seeds
- (2) Seeds from vegetables and leguminous vegetables
- (3) Potatoes with high starch content
- (4) Fertilizers
- (5) Diesel fuel for fishery
- (6) Milk
- (7) Eggs
- (8) Flour
- (9) Tinned ham
- (10) General export aids

I. Forage plant seeds

I. Nature and extent of the subsidy

(a) Background and authority - To be able to supply the German consumer with indigenous seeds at reasonable prices, a sufficient growing of suitable varieties is indispensable. This can only be achieved by guaranteeing the producer a gross yield per hectare which will correspond to an average grain harvest also in the event of a poor harvest caused by unfavourable weather conditions. In the case of subsidized forage plants the fodder value is often very disproportionate to the seeds yield since seeds of plants with a high fodder value are only produced at a small value per acre. As a compensation the promotion bonus is granted to maintain and stimulate seed growing since the efficiency of agriculture - under, in part, difficult farming conditions - cannot be safeguarded, unless tested seeds of certified varieties are made available.

The legal basis is constituted by the Budget Law.

(b) Incidence - The promotion bonus is only granted to farmers growing seeds and only in cases where it has been established that the particular seed needs and deserves promotion. A fixed amount per unit is established for each variety. The amount of the annually fixed bonus or likewise the cancelling of the bonus depends on the harvest and the world market price.

As a matter of principle, no subsidies are paid for seeds to be exported.

(c) Amount of subsidy - In the fiscal year 1959 DM.2,600,000 were estimated for such aids, of which DM.2,558,853 have been expended. In the fiscal year of 1960 (1 April to 31 December) DM.1,950,000 are provided for this purpose.

(d) Estimated amount per unit - In the fiscal year 1960 the promotion contribution ranges from DM.5.50 to DM.140.- per 100 kgs. depending on the species of crop. On the average it amounts to DM.60.40 per 100 kgs.

II. Effect of subsidy

(a) Estimated quantitative trade effects of subsidy; and the reason why it is considered that the subsidy will have these effects

Despite several extremely unfavourable harvest years, production of high-quality stock seeds rose in the case of some important species and could be maintained in the case of others. This success in respect of cultivation made it possible to prohibit the admission of German commercial seeds for some varieties of seeds. In the event of a decline in the production of high-quality stock seeds the admission of German commercial seeds would have to be permitted at an accordingly larger volume in order to meet demand. Although these seeds produced at home are not subject to such rigid regulation and control as exist for high-quality stock seeds, they still offer a greater guarantee for a successful cultivation in Germany than a large number of varieties from abroad.

(b) Statistics of production, consumption, imports and exports

(i) For the three most recent years:

	Subsidized species of seeds		
	1957/58	1958/59	1959/60
	in tons	in tons	in tons
Production	6,449	8,691	9,213
Consumption	41,153	32,509	44,060
Imports	35,551	25,232	35,548
Exports	847	1,414	701

(ii) This promotion measure was implemented already before World War II and resumed after the war already for the harvest of 1948 when conditions were getting organized. No substantial changes can be noted since then.

2. Seeds from vegetables and leguminous vegetables

Promotion aids were no longer granted for seeds from vegetables and leguminous vegetables in the fiscal years 1959 and 1960. It will depend on further investigations whether they can be cancelled also in future.

3. Potatoes with high starch content

I. Nature and extent of the subsidy

(a) Background and authority - To guarantee the necessary yield of light soils which depend on the cultivation of potatoes and are not so much in a position to participate in the supply of food potatoes owing to their long distance from the markets, the growers of potatoes with a high starch content receive a cultivation premium out of the Federal budget.

The Green Plan based on the Agricultural Act dated 5 September 1955 (BGEL. I, 1955, page 565) is authoritative for these compensation payments. The legal basis is constituted by the Budget Law.

(b) Incidence - The premium is limited to the amount of potatoes with a high starch content provided there is a proof that they have been supplied on the basis of concluded cultivation and delivery contracts to the potato starch industry in the Federal Territory and show a starch content whose rising amount is fixed annually by the Federal Ministry for Agriculture. The payment of the premium is limited to the supply to the starch industry because these factories are not in a position to pay more than DM.0.40 per kg. of starch for potatoes owing to the foreign competitive prices which, due to governmental measures, are considerably lower than the German production prices while a yield per hectare ranging from DM.2,000 to DM.2,400 which is worthwhile for the cultivation of potatoes has been calculated in the Green Plan. A yield per hectare in the amount of DM.2,000 will only be achieved if the farmers obtain DM.0.50 per kg. of starch for potatoes containing 16 per cent of starch. A fixed amount per unit is established for the premium which falls due when the starch factory proves that a minimum price of DM.0.50 per kg. of starch including the premium has been paid to the grower of potatoes.

(c) Amount of subsidy - The premium quota is limited to an amount of potatoes rendering 30,000 tons of potato starch flour. In the fiscal year 1959 DM.3 million were provided for these premium payments and were fully used. In the fiscal year 1960 DM.3 million are provided for this purpose.

(d) Estimated amount per unit - The premium amounts to DM.0.10 per kg. of starch contained in the potatoes supplied.

II. Effect of subsidy

(a) Estimated quantitative trade effects of the subsidy; and the reason why it is considered that the subsidy will have these effects

Payment of the premium does not have any quantitative effect on the imports and exports of potatoes since it does not cause any increase in the total production of potatoes and is limited to an amount of potatoes covering only 40 to 50 per cent of the Federal Republic's demand for potato starch flour. No potato starch flour is exported from the Federal Republic.

(b) Statistics of production, consumption, imports and exports

(i) For the three most recent years:

	<u>Potatoes for the starch industry</u>		
	<u>1957</u>	<u>1958</u>	<u>1959</u>
Production	193,000 t	180,000 t	130,000 t
Consumption	232,293 t	216,400 t	256,190 t
Imports	44,373 t	36,400 t	126,190 t
Exports	5,080 t	-	-

(ii) For the year 1956 (the cultivation premium was first paid in the economic year 1956/57):

	<u>Potatoes for the starch industry</u>
Production	68,000 t
Consumption	133,009 t
Imports	65,019 t
Exports	10 t

4. Fertilizers

I. Nature and extent of the subsidy

(a) Background and authority - In order to increase the competitiveness of agriculture of the Federal Territory and to raise productivity especially in regions with unfavourable conditions of production, promotion contributions out of Budget funds are necessary during a certain transitional period to reduce prices of fertilizers. The authority is based on the annual "Green Plans" pursuant to the Agricultural Act dated 5 September 1955 (Bundesgesetzblatt I, 1955, page 565).

(b) Incidence - The promotion contributions are for the benefit of the domestic consumers of fertilizers via the producers or the trade in fertilizers that are under the obligation to convey them in trust. Certain rates are fixed as promotion contributions in per cent of annual average prices not allowing for packing charges and extra charges levied by retail trade. They are reviewed annually and calculated according to available budget funds. Since 1958/59 the promotion contributions are subject to a gradual reduction.

(c) Amount of subsidy - In the fiscal year 1959 DM.230 million were provided for the reduction of prices for the purchase of fertilizers and were fully used. In the fiscal year 1960 (1 April to 31 December) DM.172.5 million were entered in the estimates for this purpose.

(d) Estimated amount per unit - Until the economic year 1958/59 reduction of prices amounted to about 20 per cent and for the economic year 1959/60 to about 14 per cent of annual average prices; for the economic year 1960/61 it amounts to approximately 12 per cent of the above mentioned prices. In the economic year 1959/60 (1 July 1959 - 30 June 1960) about DM.227 million were expended for the reduction of prices of:

624,000 tons of nitrogen (N)
730,000 tons of phosphate (P_2O_5)
1,047,000 tons of potash (K_2O)
698,000 tons of lime (CaO)

This corresponds to an average reduction of prices amounting to:

DM.17.30 for 100 kgs. of nitrogen (N)
DM. 9.10 for 100 kgs. of phosphate (P_2O_5)
DM. 4.50 for 100 kgs. of potash (K_2O)
DM. 0.70 for 100 kgs. of lime (CaO)

or to an estimated average reduction of prices amounting to

DM. 3.50 for 100 kgs. of nitrogenous fertilizers
DM. 1.30 for 100 kgs. of phosphatic fertilizers
DM. 1.55 for 100 kgs. of potassic fertilizers
DM. 3.90 for 100 kgs. of compound fertilizers (containing two or more of the afore-mentioned individual nutrients)
DM. 0.55 for 100 kgs. of lime fertilizers

These are only approximate figures since, as is well-known, nutritive contents of the individual fertilizers vary greatly. The nutritive contents, however, determine the price and consequently the amount of the contribution payment in the individual case.

II. Effect of subsidy

- (a) Estimated quantitative trade effects of the subsidy; and the reason why it is considered that the subsidy will have these effects

The reduction of price is only granted for fertilizers consumed in the Federal Republic regardless of whether they are produced at home or imported. This means an increase in the consumption of fertilizers which may affect domestic and imported products to the same degree. No subsidies are granted for fertilizers intended for exportation.

- (b) Statistics of production, consumption, imports and exports

For data see page 7.

5. Diesel fuel for fishery

I. Nature and extent of the subsidy

- (a) Background and authority - In the Federal Republic a mineral oil tax and a countervailing tax on oil imports is levied on motor fuels. In order to keep operating costs of fishing vessels at a reasonable level, aids are granted for the use of Diesel fuels. The regulation concerning the reduction of price of Diesel fuel for large-scale deep-sea fishery, large-scale herring fishery, small-scale deep-sea fishery, coastal and inland fishery (Bundesgesetzblatt I, 1959, page 376) is authoritative for the granting of this aid.

- (b) Incidence - As a rule, the aid is granted as a fixed amount per unit to the large-scale herring fishery, small-scale deep-sea fishery, coastal and inland fishery (in total about 30 per cent of the total fishing yields). Enterprises of the large-scale deep-sea fishery do not receive this aid unless its necessity is proved.

- (c) Amount of subsidy - In the fiscal year 1959 about DM.4 million were provided for these aids of which 3.3 million were expended. In the fiscal year 1960 DM.2.6 million are provided for this purpose.

- (d) Estimated amount per unit - Fishing enterprises purchasing Diesel fuels on which duties have been paid receive aids in the amount of duty and tax combined. These amount to DM.36.80. In addition, a direct subsidy is granted amounting to DM.7.00 per 100 kgs. Fishing vessels bunkering at bonded customs warehouses under goods owners' control, i.e. paying neither taxes nor duties, obtain merely the subsidy of DM.7.00 per 100 kgs.

Statistics on production, consumption, imports and exports

(Quantities in 1000 tons; figures for the fertilizer year from 1 July - 30 June)

<u>Nutrient</u>	<u>Production</u>			<u>Consumption</u>		
	<u>1955/56</u>	<u>1957/58</u>	<u>1958/59</u>	<u>1959/60</u>	<u>1955/56</u>	<u>1957/58</u>
Nitrogen (N)	752	1,047	1,051	1,051	1,72	567
Phosphate (P_2O_5)	498	630	672	814	479	594
Potash (K_2O)	1,630	1,625	1,698	1,903	847	986
Lime (CaO)	606*	599*	542*	605*	741	710
Imports						
Nitrogen (N)	4.9	2.7	2.8	4.3	259	467
Phosphate (P_2O_5)	39	63	72	83	33	62
Potash (K_2O)	725	703
Lime (CaO)					not available	702
Exports						
Nitrogen (N)					422	480
Phosphate (P_2O_5)					53	114
Potash (K_2O)					726	
Lime (CaO)					not available	

* The figures are based on quicklime and on the calendar years 1955, 1957, 1958 and 1959.
Further figures are not available.

II. Effect of subsidy

- (a) Estimated quantitative trade effects of the subsidy; and the reason why it is considered that the subsidy will have these effects

The Diesel fuel aids do not have any impact on exports since they are only granted for own consumption. As regards imports they can only effect an increase since Diesel fuel is essentially an imported product. Since 1950 there has been a constant increase in imports of fish and fishing products.

- (b) Statistics of production, consumption, imports and exports

Data are not available.

6. Milk

I. Nature and extent of the subsidy

- (a) Background and authority - The promotion bonus is granted from Budget funds on the basis of the dairies' purchasing price of milk; its purpose is to effect and compensate for a further increase in quality and an improvement in the hygienic standard of milk necessitated by higher pretensions of milk and milk product consumers. The promotion bonus is, therefore, not to be regarded as a subsidy but as a compensation payment.

The Green Plan based on the Agricultural Act dated 5 September 1955 is authoritative for these compensation payments. The directives for the granting of the promotion bonus were published in the Bundesanzeiger Nr. 97 dated 26 May 1959.

- (b) Incidence - The promotion bonus is only paid to milk producers and only for the quality grades I and II. The fixed amount per unit is subject to an annual review.

- (c) Amount of subsidy - In the fiscal year 1959 DM.376 million were provided for the promotion bonuses. DM.380 million were used to this end. In the fiscal year 1960 (1 April - 31 December 1960) DM.262.5 million were provided for this purpose. In fact, DM.321.2 million were used.

- (d) Estimated amount per unit - The promotion bonus amounts to DM.0.03 per kg. of milk from cattle stock unaffected by TB and brucellosis. For the time being, this bonus is fixed until 31 December 1960. Until 31 December 1959 a bonus in the amount of DM.0.02 per kg. was paid for milk from cattle stock which were in the process of cleaning up.

II. Effect of subsidy

- (a) Estimated quantitative trade effects of the subsidy; and the reason why it is considered that the subsidy will have these effects

As already stated under I(a), the payment of the promotion bonus is intended to increase the quality of milk and to improve productivity. Imports of milk are not influenced by these promotion bonuses since, in the Federal Republic, the milk market is a matter for the regional authorities. According to such organization of the market the regional milk markets may be supplied in principle just as little from German milk producing areas not incorporated into their region as from foreign countries. Milk exports are completely unimportant.

- (b) Statistics of production, consumption, imports and exports

- (i) For the three most recent years:

	<u>Milk and cream, fresh</u>		
	<u>1957</u>	<u>1958</u>	<u>1959</u>
Production*	5,735,600 t	5,584,400 t	5,650,900 t
Consumption*	5,742,100 t	5,591,000 t	5,658,100 t
Imports	6,616 t	6,797 t	21,374 t
Exports	106 t	178 t	1,017 t

* only unskimmed milk for immediate consumption

- (ii) For 1955, the year preceding, the payment of promotion bonuses:

	<u>Milk and cream, fresh</u>
Production*	5,841,400 t
Consumption*	5,843,400 t
Imports	2,080 t
Exports	100 t

* only unskimmed milk for immediate consumption

7. Eggs.

I. Nature and extent of the subsidy

- (a) Background and authority - To bridge the gap between the domestic and the world market price for fodder grains an equalization from budget funds is paid for those eggs which are marked as German standard eggs. The legal basis is constituted by the law for the promotion of the German egg industry, dated 31 March 1956 (Bundesgesetzblatt I, 1956, page 239).

(b) Incidence - The equalization is paid to the fowl breeders and only in such cases where the eggs are traded as "Deutsche Standardeier" (German standard eggs). The amount of the equalization which is computed on the basis of the difference between the domestic price and the world market price for feeding stuffs is fixed quarterly.

(c) Amount of subsidy - In the fiscal year 1959 DM.48 million were provided for these equalization amounts. DM.61.5 million were used. In the fiscal year 1960 (from 1 April - 31 December 1960) DM.48.75 million are provided for this purpose.

(d) Estimated amount per unit - The equalization amount per egg may not exceed the statutorily fixed maximum rate of DM.0.03.

It had been fixed for the quarters

I,	II/1959 at DM.0.03
III,	IV/1959 at DM.0.029
	I/1960 at DM.0.03
	II/1960 at DM.0.028
	III/1960 at DM.0.027

per egg.

II. Effect of subsidy

(a) Estimated quantitative trade effects of the subsidy; and the reason why it is considered that the subsidy will have these effects

The repayment of the equalization levy has led to the improvement of quality which has been aimed at and also to an increase in the domestic production which, however, did not keep pace with the steady increase in consumption. Imports participated most strongly in the increase in consumption and rose by about 60 per cent from 1955 until 1959. The increase in production, however, corresponds to only one third of the growth rate.

(b) Statistics of production, consumption, imports and exports

(i) For the three most recent years:
(including egg products in values of egg in the shell)

	<u>1957</u>	<u>1958</u>	<u>1959</u>
Production*	343,000 t	366,000 t	386,000 t
Consumption	608,000 t	642,000 t	695,000 t
Imports	265,005 t	277,805 t	316,521 t
Exports	2 t	14 t	111 t

* less hatching eggs and losses

- (ii) For 1955, the year preceding, the payment of the equalization amounts:
(including egg products in values of egg in the shell)

Production*	318,000 t
Consumption	516,000 t
Imports	199,374 t
Exports	39 t

* less hatching eggs and losses

8. Flour

I. Nature and extent of the subsidy

(a) Background and authority - The statutory domestic price for bread grains is fixed at a level which is above the world market price. The price of imported bread grains for domestic supply is adjusted up to the domestic price when imported. The flour produced from such grains is not competitive on the world markets for reasons of price. The system of price adjustment common for domestic consumption is not applied in the case of grain imports for flour exports.

The applied procedure is based on the law concerning the trade with grains and feeding stuffs (as amended on 24 November 1951, last amendment 27 June 1960) whose regulations concerning price fixings at importation are made applicable to the use of imported products for domestic consumption.

(b) Incidence - In the event of flour exports the mills or their commissioned trading firms are entitled to import bread grains the price of which is not increased to equal the domestic price.

(c) Amount of subsidy - During the grain year 1959/60 (1 July - 30 June) the price of about 878,700 tons of foreign bread grains was adjusted to the current domestic price.

(d) Estimated amount per unit - The difference between the world market price and the current domestic selling price amounting to an average of DM.449.50 per ton in the grain year 1959/60 was not subject to skimming off.

II. Effect of subsidy

(a) Estimated quantitative trade effects of the subsidy; and the reason why it is considered that the subsidy will have these effects

Owing to the abandonment of the so-called skimming-off amounts, the competitiveness of flours from German mills was established on the foreign market. Exports would come to an end if the higher German domestic prices were quoted for sales abroad.

(b) Statistics of production, consumption, imports and exports

(i) For the three most recent years:

	<u>Wheat flour (in tons)</u>		
	<u>1957</u>	<u>1958</u>	<u>1959</u>
Production	3,647,073	3,499,233	3,609,398
Consumption	3,296,918	3,076,672	3,100,616
Imports	218	5,133	10,320
Exports	350,373	427,754	519,102

	<u>Rye meal (in tons)</u>		
	<u>1957</u>	<u>1958</u>	<u>1959</u>
Production	1,519,589	1,419,206	1,326,261
Consumption	1,438,815	1,303,800	1,259,666
Imports	-	-	43
Exports	80,774	115,406	66,638

(ii) For the year preceding the modification of the system of imports not subject to skimming-off:

	<u>Wheat flour (in tons)</u>
	<u>1955</u>
Production	3,424,560
Consumption	3,127,819
Imports	426
Exports	297,167

	<u>Rye meal (in tons)</u>
	<u>1956</u>
Production	1,455,931
Consumption	1,439,935
Imports	-
Exports	15,996

9. Tinned ham

No subsidy from budget funds is granted for tinned ham. In order to adjust the costs of domestic feeding stuffs which are considerably higher as against those abroad the exporters obtain, for exported meat from pork, import licences for fodder grains which may be imported at the world market price without adjustment to the domestic price. Import licences are issued for quantities of fodder grains corresponding to the share of feedstuffs needed for the exported meat. The licences may be sold by the exporters of meat to importers of grains.

10. General export aids

When exporting several refined products produced from such agricultural products the domestic price of which has been fixed by legislation at an amount which is considerably above the world market price, the lower world market price of imported unrefined products is not adjusted as usual to the domestic price for reasons of competitive equality with the foreign competitor.